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From: Commander, Naval Supply Systems Command

Subj: INTERIM CHANGE TO NAVSUPINST 4200.94: SEPARATION OF
FUNCTIONS

Ref: (a) NAVSUPINST 4200.94

1. Recent external audits of the DON Purchase Card Program have highlighted the need to reinforce our guidance on the requirement for a "separation of functions." Commonly, the term "separation of functions" refers to the requirement in reference (a) that more than one person shall be responsible for making the purchase and authorizing receipt, inspection and acceptance. However, "separation of functions" is also related to the relationship between the command personnel holding positions within the local purchase card program. The purpose of this policy letter is to discuss each of these issues to ensure that all Agency Program Coordinators (APCs), Approving Officials (AOs) and purchase cardholders within the DON are aware of their responsibilities in these areas.

2. "Separation of functions" is a key element in preventing fraud, misuse and abuse within the DON purchase card program. Present DON guidance on "separation of functions" is found in reference (a) that states, "In order to protect the integrity of the process, a minimum two way separation of functions is required when using the purchase card (i.e. one person making the purchase and one person accepting and receiving the supplies or services)." In cases where the cardholder is picking up the material at the contractor's location, the end user or designated receiving personnel should sign for final receipt. In the event the cardholder is the end user, the cardholder may sign the contractor/store receipt, however, they must ensure that another Government employee co-signs receipt/acceptance of the materials.

3. "Separation of functions" also involves the relationships between the command personnel involved in the local purchase card program. Basically, the hierarchy of individuals within the program is established to provide a series of checks and balances within the local program. Therefore, it is vitally important that each of the individuals within the program have separate and distinct roles and responsibilities. At a minimum, separation of functions in local programs should require the following:

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a. Agency Program Coordinator: APCs should not be approving officials (AOs) or purchase cardholders. In cases where commands have a limited number of employees, and an APC must also be an Approving Official, the Commanding Officer shall ensure that a Command department independent of the local purchase card program, perform the semi-annual reviews required by reference (a).

b. Approving Officials: AOs should, to the greatest extent practicable, be the supervisor or be in the direct line of authority of their cardholders. Under no circumstance shall a cardholder be his/her own AO.

c. Purchase Cardholders: Purchase cardholders should not hold positions within the organization where APCs, AOs, or others can exercise undo influence over their actions as a purchase cardholder. Commanders, Commanding Officers, Officers in Charge and Directors with responsibilities over purchase card programs should ensure that the roles and responsibilities of individuals within their program are not in conflict, and that adequate checks and balances are in place.

4. Point of contact for questions regarding this policy letter is Mr. Robert Desmarets who can be reached at DSN 430-2521, commercial 717-605-2521 or via email at robert_desmarets@navsup.navy.mil.



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